

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

SHELL PIPELINE COMPANY LP

**AI # 11394, 32993, 32625, 32712, 32637, 588,
9292, 99299, 32798, 39763, 39750**

**PROCEEDINGS UNDER THE LOUISIANA
ENVIRONMENTAL QUALITY ACT
LA. R.S. 30:2001, ET SEQ.**

*** Settlement Tracking No.**

*** SA-AE-07-0002**

*** Enforcement Tracking No.**

*** AE-PP-04-0111**

*** AE-PP-04-0111A**

SETTLEMENT

The following Settlement is hereby agreed to between Shell Pipeline Company LP ("Respondent") and the Department of Environmental Quality ("DEQ" or "the Department"), under authority granted by the Louisiana Environmental Quality Act, La. R.S. 30:2001, et seq. ("the Act").

I

Respondent is a corporation who operates multiple pipeline facilities at various locations in the state of Louisiana ("the Facility(s)").

On June 15, 2004, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. AE-PP-04-0111, which was based upon the following findings of fact:

On April 20, 2004, a file review of multiple facilities, owned and/or operated by the Respondent was performed to determine the degree of compliance with the Louisiana Environmental Quality Act (the Act) and the Air Quality Regulations. The facilities are referenced below.

The following violations were noted during the course of the file review:

- A. The Respondent submitted the January 1, 2002, through June 30, 2002, semiannual monitoring reports for the following facilities which were postmarked on October 1, 2002. The reports were due on September 30, 2002. Each late submittal is a violation of Part 70 General Condition K

of the facility's Title V Permit, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act. The facilities are:

Facility Name	Title V Permit No.	Agency Interest No.
Houma Station	2880-00095-V0	11394
Lake Barre Crude Oil Pressure Booster Station	2880-00042-V1	32993
Main Pass 69 Pipeline Station	2240-00154-V0	32625
Main Pass 69 P	2240-00287-V0	32712
Southwest Pass 24 Pipeline Station	2240-00171-V0	32637
Baton Rouge Products Station	0880-00007-V1	588
St. James Capline Pipeline Pumping Station	2560-00041-V0	9292
St. James Pump Station	2560-00068-V0	99299
Sugarland Pipeline Pumping Station	2560-00034-V0	32798
Kaplan Station	2940-00204-V0	39763
Holmwood Station	0520-00213-V1	39750

- B. The Respondent submitted the semiannual monitoring report for the period July 1 through December 31, 2003, and the annual compliance certification for the 2003 calendar year, which was postmarked March 31, 2004. The Respondent included deviations from the Southwest Pass 24 Pipeline Station, which operates under Title V Permit No. 2240-00171-V1. The deviations consisted of four (4) unpermitted emissions from barge loading operations at this facility occurring on September 13, September 16, September 22, and September 24, 2003. These releases totaled over 6,000 pounds of VOC's. Each unpermitted release is a violation of Title V Permit No. 2240-00171-V1, LAC 33:III.501.C.2, and Sections 2057(A)(1) and 2057(A)(2) of the Act.

On December 13, 2004, the Department issued to Respondent an Amended Notice of Potential Penalty, Enforcement No. AE-PP-04-0111A, which amended the Notice of Potential Penalty issued to Shell Pipeline Company LP on June 15, 2004, as follows:

The Department hereby incorporates the following information:

"On or about October 22, 2004, a file review of the Holmwood Station, Agency Interest No. 39750, owned and/or operated by the Respondent, was performed to determine the degree of compliance with the Act and Air Quality Regulations.

The Respondent operates under Air Permit 0520-00213-V0 issued on April 1, 1999. The Respondent is subject to the New Source Performance Standard (NSPS) 40 CFR Part 60 Subpart

GG. By letter dated May 30, 2000, the Environmental Protection Agency (EPA) approved a Custom Fuel Monitoring Schedule for the 7000 hp gas turbine (Unit 1) at the Respondent's facility in accordance with 40 CFR 60.334(b)(2). According to the letter, the Custom Fuel Monitoring Schedule was effective the date of the letter.

The following violation was noted during the course of the file review:

The Respondent reported in the Title V Annual Compliance Certification for the year 2000, initialed by a representative of the Respondent on March 19, 2001, that monitoring of the sulfur content and nitrogen content of the fuel being fired in the Unit 1 Natural Gas-Fired Turbine was performed as required; however, the daily values of the sulfur and nitrogen content of the fuel being fired in the Unit 1 Natural Gas-Fired Turbine for the days during the period of March 8, 2000, until May 30, 2000, for which the unit operated, were not recorded. Each failure to record the values for sulfur and nitrogen content daily for the days for which the unit operated is a violation of NSPS Subpart GG, in particular 60.334(b)(2), Federally Enforceable Specific Condition No. 1.C of Air Permit No. 0520-00213-V0, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.

On or about May 19, 2004, an inspection of the Respondent's Holmwood Station was performed to determine the degree of compliance with the Act and the Air Quality Regulations.

The following violations were noted during the course of the inspection:

- A. The Respondent conducted the second semiannual fuel sulfur content monitoring in accordance with Phase III of the Custom Fuel Monitoring Schedule (CFMS) during the fourth quarter instead of the third quarter of 2003. The approved CFMS dated May 30, 2000, requires that monitoring for Phase III be conducted during the first and third quarters of each calendar year. The Respondent's failure to conduct the fuel sulfur monitoring in the third quarter of 2003 as required by the approved CFMS is a violation of 40 CFR 60.334(b)(2), Federally Enforceable Specific Condition No 1.C of Air Permit No. 0520-00213-V0, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- B. As of the date of the inspection, the Phase II fuel sulfur content monitoring results had not been submitted to EPA or the Department after completion of this phase of the monitoring as stated in the approved CFMS. This is a violation of 40 CFR 60.334(b)(2), Federally Enforceable Specific Condition No 1.C of Air Permit No. 0520-00213-V0, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.

In a letter dated July 30, 2004, in response to Warning Letter AE-L-04-0235, the Respondent noted corrective actions that had been taken to prevent recurrence of the violations. In the letter, it was noted that fuel gas samples from the fuel supply line were now being taken whether the engine is running or idle. The Respondent also noted in the letter that the Phase II monitoring results were submitted to the EPA and the Department subsequent to the inspection. The results were submitted under cover letter dated May 20, 2004.

On or about October 22, 2004, a file review of the Kaplan Station, Agency Interest No. 39763, owned and/or operated by the Respondent, was performed to determine the degree of compliance with the Act and Air Quality Regulations.

The Respondent operated under Air Permit 2940-00204-V0 issued on April 1, 1999, until issuance of Air Permit No. 2940-00204-V1 on September 10, 2004, under which it currently operates. The Respondent is subject to the New Source Performance Standard (NSPS) 40 CFR Part 60 Subpart GG. By letter dated May 30, 2000, the Environmental Protection Agency (EPA) approved a Custom Fuel Monitoring Schedule for the 7000 hp gas turbine (Unit 1) at the Respondent's facility in accordance with 40 CFR 60.334(b)(2).

The following violation was noted during the course of the file review:

The Respondent reported in the Title V Annual Compliance Certification for the year 2000, initialed by a representative of the Respondent on March 19, 2001, that monitoring of the sulfur content and nitrogen content of the fuel being fired in the Unit 1 Natural Gas-Fired Turbine was performed as required; however, the daily values of the sulfur and nitrogen content of the fuel being fired in the Unit 1 Natural Gas-Fired Turbine for the days during the period of April 1, 2000, until May 30, 2000, for which the unit operated, were not recorded. Each failure to record the values for sulfur and nitrogen content daily for the days for which the unit operated is a violation of NSPS Subpart GG, in particular 60.334(b)(2), Federally Enforceable Specific Condition No. 1.C of Air Permit No. 2940-00204-V0, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act."

The Department incorporated all of the remainder of the original Notice of Potential Penalty, Enforcement Tracking No. AE-PP-04-0111 and Agency Interest Nos. 11394, 32993, 32625, 32712, 32637, 588, 9292, 99299, 32798, 39763, & 39750 as if reiterated herein.

The Amended Notice of Potential Penalty was effective upon receipt by Respondent.

The Respondent met with the Department on March 22, 2005, to discuss the Amended Notice of Potential Penalty AE-PP-04-0111A (ANOPP). During this meeting, representatives of the Respondent discussed the violation for the Kaplan Station (Agency Interest No. 39763), pertaining to a failure to record the sulfur and nitrogen content daily during the period April 1, 2000, through May 30, 2000, for the days that the Unit 1 Natural Gas Fired Turbine operated. The Respondent had reported this issue in their Title V Annual Compliance Certification for the year 2000, as noted in the ANOPP. The Respondent's representatives stated that a review of the facility's records showed no fuel usage for this time period. The Respondent's representatives stated that the deviation reported in the Title V Annual Compliance Certification was believed to be in error, that they would review their records, and, if the original report was determined to be in error, a letter would be submitted to reflect the determination. The Respondent submitted that letter dated November 3, 2005, to the Department in which the Respondent included a copy of the fuel usage report for the Kaplan Station. In the November 3, 2005 response, the Respondent noted that it inadvertently submitted an annual compliance certification identifying a deviation for daily gas sampling during April and May 2000. The Respondent attached to this letter a revised 2000 Annual Compliance Certification which removed the previously reported deviation.

Therefore, through this Settlement, the Department hereby removes the above mentioned violation from the ANOPP.

III

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties.

IV

Nonetheless, Respondent, without making any admission of liability under state or federal statute or regulation, agrees to pay, and the Department agrees to accept, a payment in the amount of NINE THOUSAND NINE HUNDRED AND NO/100 DOLLARS (\$9,900.00) of which One Thousand Seven Hundred Twenty-Four and 90/100 Dollars (\$1,724.90) represents DEQ's enforcement costs, in settlement of the claims set forth in this agreement. The total amount of money expended by Respondent on cash payments to DEQ as described above, shall be considered a civil penalty for tax purposes, as required by La. R.S. 30:2050.7(E)(1).

V

Respondent further agrees that the Department may consider the inspection report(s), the Notice of Potential Penalty, the Amended Notice of Potential Penalty, and this Settlement for the purpose of determining compliance history in connection with any future enforcement or permitting action by the Department against Respondent, and in any such action Respondent shall be estopped from objecting to the above-referenced documents being considered as proving the violations alleged herein for the sole purpose of determining Respondent's compliance history.

VI

This agreement shall be considered a final order of the secretary for all purposes, including, but not limited to, enforcement under La. R.S. 30:2025(G)(2), and Respondent hereby waives any

right to administrative or judicial review of the terms of this agreement, except such review as may be required for interpretation of this agreement in any action by the Department to enforce this agreement.

VII

This settlement is being made in the interest of settling the state's claims and avoiding for both parties the expense and effort involved in litigation or an adjudicatory hearing. In agreeing to the compromise and settlement, the Department considered the factors for issuing civil penalties set forth in LSA- R. S. 30:2025(E) of the Act.

VIII

The Respondent has caused a public notice advertisement to be placed in the official journal of the parish governing authority in Plaquemines Parish, Calcasieu Parish, Vermilion Parish, East Feliciana Parish, Terrebonne Parish, and St. James Parish, Louisiana. The advertisements, in form, wording, and size approved by the Department, announced the availability of this settlement for public view and comment and the opportunity for a public hearing. Respondent has submitted a proof-of-publication affidavit from each affected parish to the Department and, as of the date this Settlement is executed on behalf of the Department, more than forty-five (45) days have elapsed since publication of the notices.

IX

Payment is to be made within ten (10) days from notice of the Secretary's signature. If payment is not received within that time, this Agreement is voidable at the option of the Department. Payments are to be made by check, payable to the Department of Environmental Quality, and mailed or delivered to the attention of Accountant Administrator, Financial Services Division, Department

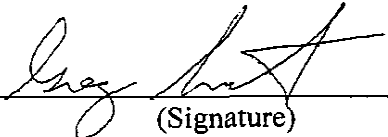
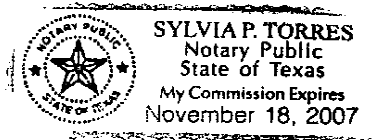
of Environmental Quality, Post Office Box 4303, Baton Rouge, Louisiana, 70821-4303. Each payment shall be accompanied by a completed Settlement Payment Form (Exhibit A).

X

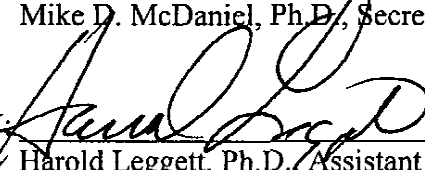

In consideration of the above, any claims for penalties are hereby compromised and settled in accordance with the terms of this Settlement.

XI

Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his or her respective party, and to legally bind such party to its terms and conditions.

SHELL PIPELINE COMPANY LPBY: 
(Signature)GREG SMITH
(Print)TITLE: GCM REGIONAL OPERATIONS MANAGERTHUS DONE AND SIGNED in duplicate original before me this 31 day of
JULY, 20 07, at HOUSTON, TX.
NOTARY PUBLIC (ID # _____)SYLVIA P. TORRES
(Print)**LOUISIANA DEPARTMENT OF
ENVIRONMENTAL QUALITY**

Mike D. McDaniel, Ph.D., Secretary

BY: 
Harold Leggett, Ph.D., Assistant Secretary
Office of Environmental ComplianceTHUS DONE AND SIGNED in duplicate original before me this 11 day of
September, 20 07, at Baton Rouge, Louisiana.
NOTARY PUBLIC (ID # 20456)Ted R. Doyle, Jr.
(Print)Approved: 
Harold Leggett, Ph.D., Assistant Secretary